

? Approved for Filing: RLR ?

? 01-15-01 8:53 AM ?

**INDIVIDUAL INCOME TAX RELIEF FOR
LOW-INCOME INDIVIDUALS AND RELATED
STATE TAX COMMISSION AMENDMENTS**

2001 GENERAL SESSION

STATE OF UTAH

Sponsor: Lyle W. Hillyard

Millie M. Peterson

This act modifies the Individual Income Tax Act by establishing an income level below which a taxpayer is not subject to state individual income taxes. The act amends the authority of the State Tax Commission to prescribe tax tables. This act defines terms, repeals obsolete language, and makes technical changes. This act takes effect for taxable years beginning on or after January 1, 2002.

This act affects sections of Utah Code Annotated 1953 as follows:

AMENDS:

59-10-104, as last amended by Chapter 333, Laws of Utah 1996**59-10-105**, as last amended by Chapter 213, Laws of Utah 1988**59-10-116**, as renumbered and amended by Chapter 2, Laws of Utah 1987

ENACTS:

59-10-104.1, Utah Code Annotated 1953*Be it enacted by the Legislature of the state of Utah:*Section 1. Section **59-10-104** is amended to read:**59-10-104. Tax basis -- Rates.**

~~[(1) For taxable years beginning on or after January 1, 1996, but beginning before January 1, 1997, a tax is imposed on the state taxable income, as defined in Section 59-10-112, of every resident individual as follows:]~~

~~[(a) For an individual, other than a husband and wife or head of household required to use the tax table under Subsection (1)(b), the tax under this section is imposed in accordance with the~~

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following table:]

[If the state taxable income is: _____ The tax is:]

[Less than or equal to \$750 _____ 2.55% of the state taxable income]

[Greater than \$750 but less than or equal _____ \$19, plus 3.5% of state taxable income]

[to \$1,500 _____ greater than \$750]

[Greater than \$1,500 but less than or equal _____ \$45, plus 4.4% of state taxable income]

[to \$2,250 _____ greater than \$1,500]

[Greater than \$2,250 but less than or equal _____ \$78, plus 5.35% of state taxable income]

[to \$3,000 _____ greater than \$2,250]

[Greater than \$3,000 but less than or equal _____ \$119, plus 6% of state taxable income]

[to \$3,750 _____ greater than \$3,000]

[Greater than \$3,750 _____ \$164, plus 7% of state taxable income]

[greater than \$3,750]

[(b) For a husband and wife filing a single return jointly, or a head of household as defined in Section 2(b), Internal Revenue Code, filing a single return, the tax under this section is imposed in accordance with the following table:]

[If the state taxable income is: _____ The tax is:]

[Less than or equal to \$1,500 _____ 2.55% of the state taxable income]

[Greater than \$1,500 but less than or equal _____ \$38, plus 3.5% of state taxable income]

[to \$3,000 _____ greater than \$1,500]

[Greater than \$3,000 but less than or equal _____ \$91, plus 4.4% of state taxable income]

[to \$4,500 _____ greater than \$3,000]

[Greater than \$4,500 but less than or equal _____ \$157, plus 5.35% of state taxable income]

[to \$6,000 _____ greater than \$4,500]

[Greater than \$6,000 but less than or equal _____ \$237, plus 6% of state taxable income]

[to \$7,500 _____ greater than \$6,000]

[Greater than \$7,500 _____ \$327, plus 7% of state taxable income]

[greater than \$7,500]

[(2) For] (1) Except as provided in Subsection (2), for taxable years beginning on or after January 1, 1997, a tax is imposed on the state taxable income, as defined in Section 59-10-112, of every resident individual as follows:

(a) For an individual, other than a husband and wife or head of household required to use the tax table under Subsection ~~[(2)]~~ (1)(b), the tax under this section is imposed in accordance with the following table:

If the state taxable income is:	The tax is:
Less than or equal to \$750	2.3% of the state taxable income
Greater than \$750 but less than or equal to \$1,500	\$17, plus 3.3% of state taxable income greater than \$750
Greater than \$1,500 but less than or equal to \$2,250	\$42, plus 4.2% of state taxable income greater than \$1,500
Greater than \$2,250 but less than or equal to \$3,000	\$74, plus 5.2% of state taxable income greater than \$2,250
Greater than \$3,000 but less than or equal to \$3,750	\$113, plus 6% of state taxable income greater than \$3,000
Greater than \$3,750	\$158, plus 7% of state taxable income greater than \$3,750

(b) For a husband and wife filing a single return jointly, or a head of household as defined in Section 2(b), Internal Revenue Code, filing a single return, the tax under this section is imposed in accordance with the following table:

If the state taxable income is:	The tax is:
Less than or equal to \$1,500	2.3% of the state taxable income
Greater than \$1,500 but less than or equal to \$3,000	\$35, plus 3.3% of state taxable income greater than \$1,500
Greater than \$3,000 but less than or equal to \$4,500	\$84, plus 4.2% of state taxable income greater than \$3,000
Greater than \$4,500 but less than or equal to \$6,000	\$147, plus 5.2% of state taxable income greater than \$4,500
Greater than \$6,000 but less than or equal to \$7,500	\$225, plus 6% of state taxable income greater than \$6,000
Greater than \$7,500	\$315, plus 7% of state taxable income greater than \$7,500

(2) Subsection (1) does not apply to a resident individual exempt from taxation under

Section 59-10-104.1.

Section 2. Section **59-10-104.1** is enacted to read:

59-10-104.1. Exemption from taxation.

(1) For purposes of this section:

(a) "personal exemptions" means the total exemption amount an individual is allowed to claim for the taxable year under Section 151, Internal Revenue Code, for:

(i) the individual;

(ii) the individual's spouse; and

(iii) the individual's dependents; and

(b) "standard deduction":

(i) except as provided in Subsection (1)(b)(ii), means the standard deduction an individual is allowed to claim for the taxable year under Section 63, Internal Revenue Code; and

(ii) notwithstanding Subsection (1)(b)(i), does not include an additional amount allowed under Section 63(f), Internal Revenue Code, for an individual or an individual's spouse who is:

(A) blind; or

(B) 65 years of age or older.

(2) For taxable years beginning on or after January 1, 2002, an individual is exempt from a tax imposed by Section 59-10-104, 59-10-105, or 59-10-116 if the individual's adjusted gross income on the individual's federal individual income tax return for the taxable year is less than or equal to the sum of the individual's:

(i) personal exemptions for that taxable year; and

(ii) standard deduction for that taxable year.

Section 3. Section **59-10-105** is amended to read:

59-10-105. Optional tax.

~~[In lieu of the tax imposed under Section 59-10-104 there is hereby imposed]~~

(1) (a) Except as provided in Subsection (4), for [each] taxable [year] years beginning on or after [December 31, 1972] January 1, 2002, if the commission prescribes state individual income tax tables in accordance with Subsection (2), a tax is imposed as provided in this section on the state taxable income of [every] an individual who elects to compute [his] the individual's income tax in accordance with the state individual income tax tables prescribed [in Section 3 of the Internal Revenue Code, a tax computed in accordance with the tax tables applicable to such

taxable year as prescribed by the commission. ~~Such an electing taxpayer]~~ by the commission.

(b) An individual who pays a tax imposed by this section is not subject to the tax imposed by Section 59-10-104.

(2) The commission may prescribe state individual income tax tables:

(a) for a taxable year;

(b) for purposes of computing the tax authorized by this section; and

(c) if the state individual income tax tables are substantially in accordance with Section 3, Internal Revenue Code, except that the commission shall use:

(i) the tax rates and tax brackets provided for in Section 59-10-104;

(ii) state taxable income as defined in Section 59-10-112; and

(iii) any other provision of this chapter necessary to prescribe state individual income tax tables under this section.

(3) An individual electing to compute the individual's income tax in accordance with this section shall use the:

(a) standard deduction as provided in Section 63(c) [of the], Internal Revenue Code; and [the]

(b) number and amount of exemptions allowed by Section 151 [of the], Internal Revenue Code.

(4) This section does not apply to an individual exempt from taxation under Section 59-10-104.1.

Section 4. Section **59-10-116** is amended to read:

59-10-116. Tax on nonresident individual's state taxable income.

(1) For purposes of this section:

(a) "state income tax percentage" means a percentage equal to a nonresident individual's federal adjusted gross income for the taxable year received from Utah sources, as determined under Section 59-10-117, divided by the nonresident individual's total federal adjusted gross income for that taxable year; and

(b) "state taxable income" means the product of a nonresident individual's:

(i) federal taxable income, as defined in Section 59-10-111, with the modifications, subtractions, and adjustments provided for in Section 59-10-114; and

(ii) state income tax percentage.

152 [A] (2) Except as provided in Subsection (3), a tax is [hereby] imposed as provided in this
153 section on the state taxable income~~[, as defined in Sections 59-10-111 and 59-10-112, of every]~~
154 calculated under this section of a nonresident individual in accordance with the [schedules] tables
155 provided for in Section 59-10-104~~[, but the individual's Utah tax shall be only the portion of the~~
156 ~~resident tax so calculated as the individual's federal adjusted gross income received from Utah~~
157 ~~sources (determined under Section 59-10-117) bears to the individual's total federal adjusted gross~~
158 ~~income for the same taxable year].~~

159 (3) This section does not apply to a nonresident individual exempt from taxation under
160 Section 59-10-104.1.

161 Section 5. **Effective date.**

162 This act takes effect for taxable years beginning on or after January 1, 2002.

Legislative Review Note
as of 1-11-01 12:45 PM

A limited legal review of this legislation raises no obvious constitutional or statutory concerns.

Office of Legislative Research and General Counsel